

City
of Asheville
North Carolina



March 23, 2010 Worksession Agenda



I. Coping Well with Financial Stress

II. Balancing General Fund Revenues
and Expenditures

III. Setting Water System Rates

Positive Actions in Hard Times

Recommended Strategy



"If you are trying to achieve, there will be roadblocks. I've had them; everybody has had them. But obstacles don't have to stop you. If you run into a wall, don't turn around and give up. Figure out how to climb it, go through it or work around it."

- Michael Jordan

FY 2010 Budget Planning Council Policy Questions



“Things turn out best for the people who make the best out of the way things turn out.”

- John Wooden

Positive Actions in Hard Times

Recommended Strategy



- Well-managed organizations are capable of dealing with events before, during and after crises
- They are able to adapt in the short-term within a cycle and over the long term of several business cycles

“Local Level Fiscal Sustainability and Strategies”, Jeff Chapman, Arizona State University”

“Coping with Fiscal Stress”, Jonathan Justice, University of Delaware

Coping Well with Financial Stress

Recommended Strategy



- Short-term tactics – reign in expenses and adjust revenue mix
- Long-term adaptation – educate leaders and stakeholders and pursue structural solutions

“Navigating the Fiscal Crisis: Tested Strategies for Local Leaders”, Gerald J. Miller and James H. Svara for ICMA

Positive Actions in Hard Times

Short -Term Tactics



- Reign in controllable expenses
- Improve productivity and financial management practices
- Shed activities, invest or eliminate
- Adjust the revenue mix and tax rates
- Introduce or increase charges for services
- Bolster residents' willingness to share risks
- Improve political acceptability of cutbacks

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Short - Term Tactics



FY2008

Reduced Capital

Cut training, travel, services and equipment

Targeted Hiring freeze

FY2009

Deferred Capital

Salary Freeze

Reengineering – One Stop Shop

Early Retirement Program

Managed Vacancies

Fee Increases/Cost recovery

Aggressive pursuit of ARRA grants

Positive Actions in Hard Times

Long-Term Adaptation



- Avoiding excessive commitments to fixed expenses
- Diversifying revenue sources
- Engaging in long-term financial planning
- Maintaining adequate reserve
- Using charges for services and taxes for capital improvements
- Educating stakeholders

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Long-Term Adaptation



- Avoiding fixed expenses – postponed bond program (2008 & 2009)
- Long-term financial planning/diversifying revenues – structural Issues identified in 2008 and financial white paper released in 2009
- Maintaining reserves – retained 15% General Fund balance
- Recommended community meetings to educate stakeholders – February 9, 2010

FY 2010 Budget Planning Balancing Revenues and Expenditures



General Fund Initial Forecast - \$5.1M Gap

- Flat revenues
- Loss of Transit funding
- Inflation in operating and health care costs
- COLA for employees of 2%
- No fund balance use

Increase for State pension - \$5.75M Gap

FY 2010 Budget Planning

Balancing Revenues and Expenditures



Tier 1 Expense Reductions/Managed – \$2.3M

- Freeze vacancies in Development Services
- Reduce overtime and temp services
- Reduce contracts and services
- Reduce other training, tuition reimbursement, printing, other line items
- Reduce Transit subsidy
- Savings from expired annexation agreements

FY 2010 Budget Planning

Balancing Revenues and Expenditures



Tier 2 Expense Reductions/Services - \$1.5M
8-10 full-time and 12-14 part-time positions

- Delay Master Plan implementation
- Reduce Police and Fire Overtime
- Re-engineer Brush Collection
- Reduce programming at centers
- Other re-engineering efforts
- Reduce Outside Agency
- Cost-sharing for Co-sponsored Events

FY 2010 Budget Planning Balancing Revenues and Expenditures



Tier 1 Revenue Enhancements - \$975,000

- Fees and Charges - \$200,000
- Street Cut Enterprise - \$150,000 net
- Parking Fund recurring transfer - \$125,000
- Parking Fund one-time transfer - \$500,000

Adjusted Budget Gap - \$1M

FY 2010 Budget Planning Balancing Revenues and Expenditures



Tier 2 Revenue Enhancements

- Increase Business License - \$100,000
- Reduce General Fund Reserves to 14% - \$1M
- 1 cent Property Tax Increase - \$1M

Tier 3 Expense Reductions/Services

- Transit Service reductions - \$600,000
- 4/10's for non-emergency facilities (energy) \$75,000
- Second Year Salary Freeze - \$500,000
- Further health insurance cost shifting - \$200,000
- Eliminate additional positions 10-12 - \$600,000

FY 2010 Budget Planning Council Policy Questions



The recommended strategy, including Tier 1 and Tier 2 expense/service reductions, and Tier 1 revenue enhancements, leave a planning gap of about \$1M.

- Are there any elements of the strategy that Council would alter? Substitute an alternative revenue increases or expense reductions?
- Is guidance Council may provide on preferences for closing the remaining gap? What is preferable or untouchable?
- Other direction?